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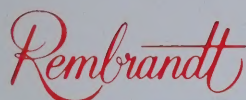


LICENSEE AND  
DISTRIBUTOR OF  
OLYMPIC PRODUCTS

DÉTENTEUR DE LICENCES  
ET DISTRIBUTEUR DE  
PRODUITS OLYMPIQUES

"Support Canada's  
Olympic Teams"

The front cover  
design of the 1975  
annual report  
depicts the  
enamelled lapel pin  
manufactured by  
Rembrandt under  
exclusive license  
from the Canadian  
Olympic  
Association.



JEWELRY LIMITED

## Highlights

|                                                               | 12 months to<br>June 30<br>1975 | Unaudited<br>(note 2)<br>12 months to<br>June 30<br>1974 | 6 months to<br>June 30<br>1974 |
|---------------------------------------------------------------|---------------------------------|----------------------------------------------------------|--------------------------------|
| Consolidated Sales. . . . .                                   | \$10,600,836                    | \$10,169,246                                             | \$5,788,411                    |
| Net Earnings before Extraordinary Item. . . .                 | 1,378,974                       | 1,440,715                                                | 985,860                        |
| Extraordinary Item. . . . .                                   |                                 | 155,961                                                  | 155,961                        |
| Net Earnings for the Period. . . . .                          | 1,378,974                       | 1,596,676                                                | 1,141,821                      |
| Net Earnings per Share before<br>Extraordinary Item . . . . . | \$1.37                          | \$1.43                                                   | \$0.98                         |
| Net Earnings per Share after<br>Extraordinary Item . . . . .  | \$1.37                          | \$1.59                                                   | \$1.14                         |
| Working Capital. . . . .                                      | \$ 3,820,412                    | \$ 2,925,150                                             | \$2,925,150                    |
| Current Ratio . . . . .                                       | 2.2/1                           | 1.7/1                                                    | 1.7/1                          |

## Corporate Directory

### Directors

Edward Abrams\*  
Lorne Abrams  
Kenneth T. Boddy  
Allen Karp\*  
Gerald Kroll, Q.C.  
Lawrence S. Solway\*  
Peter G. Weeks

### Officers

Edward Abrams,  
Chairman of the Board  
and Chief Executive Officer  
  
Lorne Abrams,  
President  
  
Peter G. Weeks,  
Vice President  
  
Gerald Kroll, Q.C.,  
Secretary  
  
Gary W. Davis, C.G.A.,  
Treasurer and Controller

**Transfer Agent and Registrar**  
The Canada Trust Company

### Auditors

Wm. Eisenberg & Co.  
Chartered Accountants

### Listed

Toronto Stock Exchange (RJL)

### Manufacturing Facilities

890 Progress Avenue (Head Office)  
Scarborough, Ontario M1H 3T5  
  
1100 Birchmount Road  
Scarborough, Ontario M1K 1S6  
(Commencing January, 1976)  
  
86 Bathurst Street  
Toronto, Ontario M5V 2P5  
  
39 Estate Drive  
Scarborough, Ontario M1H 2Z2  
  
388 King Street West  
Toronto, Ontario M5V 1K2

\*Audit Committee





## REMBRANDT MANAGEMENT

*Seated, reviewing new plant blueprints, is Edward Abrams, Chairman of the Board and Chief Executive Officer. With him are (left to right) Kenneth T. Boddy, Director and the President of The Electric Chain Company of Canada Limited; Lorne Abrams, President and Peter G. Weeks, Vice-President.*

## To Our Shareholders

Your management at Rembrandt Jewelry Limited is pleased to report the results of the fiscal period ended June 30, 1975, along with comparative figures for the 12 months ended June 30, 1974. Consolidated sales rose to \$10,600,836 as compared to \$10,169,246 (unaudited) in the prior year. An industry-wide inventory adjustment program at the retail level affected sales during our third and fourth quarters. Subsequent to the year-end, sales momentum resumed at satisfactory levels and is expected to accelerate further as the demand for Olympic souvenir items increases in the spring and summer of 1976.

Net earnings for the year were \$1,378,974 or \$1.37 per share compared to \$1,440,715 (unaudited) or \$1.43 per share for the same period a year ago, excluding last year's extraordinary gain of \$155,961 or 16 cents per share arising from the sale of the Company's interest in Ecco Jewellery (U.K.) in June, 1974. Among the factors which affected the Company's financial results were the general economic conditions, the retail inventory adjustment situation, and interest on short term debt which is partially related to real estate on which our new plant is being built. The interest is charged against current operating expenses.

Working capital increased at year-end by \$895,262, bringing total working capital to \$3,820,412. During the year, the Company substantially improved its accounts receivable position and reduced its bank indebtedness.

Management is continuing its program of increased productivity to help offset increases in costs.

Notwithstanding increased operating costs, your Company continued to maintain a healthy profit margin. Management attributes this consistent performance to unique marketing methods, efficient production techniques, sound management and dedicated personnel who have helped to build and maintain the strength of the organization.

We are also continuing to develop and diversify our product lines. Our customers are receptive to handling new products from Rembrandt because of the favourable response our jewellery has continually received.

We are pleased to report that our new plant and office complex in Scarborough, Ontario, will be completed in January, 1976. All operations will be combined under one roof and productivity is expected to increase once the plant is fully operational.



Through our U.K. marketing representative, Ecco Jewellery Limited, Rembrandt has established a sound base for the European market. The Company also participated recently in a Canadian-sponsored trade mission to Japan and is optimistic about the future of the Far Eastern market.

Sales to the United States are rapidly expanding where the Company has a distributorship opening new territories for Rembrandt products. This activity, coupled with Rembrandt's participation in major American jewellery shows, is expected to result in increased export sales.

The Company is experiencing a steady growth in sales of Olympic charms and souvenir jewellery which are under exclusive license, from the Canadian Olympic Association. This line of diversified products, bearing the official symbols of the Association, has met with favourable public response which should intensify further as the 1976 Summer Olympic Games approach.

Looking ahead, management expects that greater market growth and penetration, improved production techniques and the introduction of innovative jewellery styles will continue to distinguish us from others in this highly competitive industry.

We are grateful to the wholesalers, distributors and retailers who have helped build a growing consumer market for Rembrandt products. Their co-operation and energetic marketing efforts have been instrumental in keeping Rembrandt ahead in the Canadian jewellery industry.

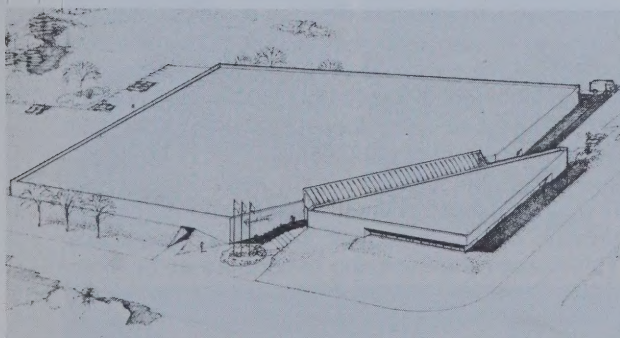
As shareholders, your support and encouragement have helped to build the Rembrandt organization into a leading Canadian manufacturer of jewellery. On your behalf, we express our appreciation to the personnel of Rembrandt Jewelry and Electric Chain for their efforts in contributing to the Company's progress and results.

*E. Abrams* *Lorne Abrams*

Chairman of the Board and  
Chief Executive Officer

President

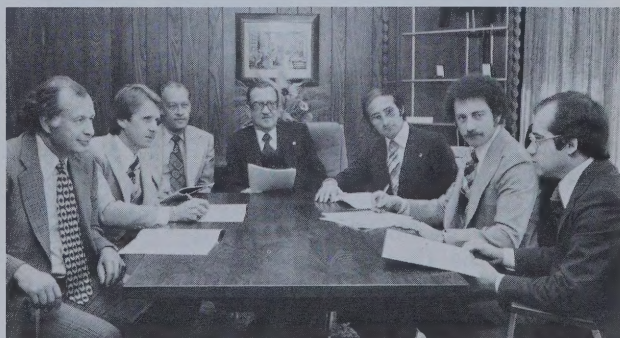
Toronto  
October 3, 1975



Architectural drawing of new Rembrandt office and plant, scheduled for completion in early 1976.



Construction is well underway on the site of the new Rembrandt building.



At a recent meeting of the Board of Directors are (from bottom left, clockwise): Gerald Kroll, Q.C., Director; Peter G. Weeks, Vice President; Kenneth T. Boddy, Director; Edward Abrams, Chairman of the Board and Chief Executive Officer, Allen Karp, Director; Lorne Abrams, President; Gary W. Davis, CGA, Treasurer and Controller.



## The Rembrandt Report

### New Head Office and Plant

Rembrandt's new office and plant, scheduled for completion in January 1976, is set on a seven and one-half acre landscaped site in Scarborough, Ontario. The Company's new headquarters, which will provide nearly 108,000 square feet, will combine Rembrandt and Electric Chain facilities under one roof. The complex will employ sophisticated security controls and will be one of the most advanced jewellery production facilities in Canada.

### Electric Chain Company of Canada Limited

A subsidiary of Rembrandt Jewelry Limited, Electric Chain, is Canada's oldest and largest manufacturer of karat gold, sterling silver and gold-filled chains for various types of jewellery. It is the largest manufacturer of jewellery chain in the Commonwealth and currently exports a large percentage of its production. Plans are under way to increase this Company's market penetration, both domestically and abroad.

### New Products and Developments

Rembrandt management is continually looking into the production and distribution of new products. As one example, the Company has purchased specially designed equipment which will be used to manufacture new and unique lines of jewellery for the consumer market.

### International Markets

Rembrandt is Canada's foremost exporter of quality jewellery. Ecco Jewellery Limited (U.K.) distributes Rembrandt products throughout Europe. The Company has a rapidly-expanding market in the United States and now participates in all important jewellery trade shows in that country. An American-based distributorship for Rembrandt has helped to open new markets across the country. Several American retailing organizations have turned to the Company for assistance because of Rembrandt's manufacturing and marketing facilities.

Rembrandt products are also featured in the in-flight gift catalogues of two major international airlines.

The Company is optimistic about the future of the Far Eastern market as a result of its participation in a recent Canadian government-sponsored trade mission to Japan.



*Peter Weeks (left) and Lorne Abrams discuss the Olympic Symbol with Eddie Shack at a press reception jointly sponsored by Rembrandt Jewelry Limited and the Canadian Olympic Association.*

### Olympic Jewellery

A special impetus to the Rembrandt sales picture is the line of Olympic charms and jewellery, produced under exclusive license from the Canadian Olympic Trust. As interest in the 1976 Olympic Games increases, coupled with the influx of tourists, we expect our sales to increase accordingly. Because of the significance of this historic event, Rembrandt has chosen the Olympic symbol for the cover of this annual report.

### Distribution and Merchandising

In Canada, Rembrandt supplies to major distributors who in turn service more than 3,200 jewellery outlets which represent over 90% of the country's independent retail jewellers. The Company's product line is also sold directly to department and chain stores throughout Canada.

It is Rembrandt's marketing policy to sell mainly through distributors rather than direct to retailers. This enables the Company to concentrate on effective volume merchandising and eliminates the need for an extensive in-house sales force.

Rembrandt acts as a marketing consultant to retailers. In-store merchandising displays, designed to present our products as effectively as possible to customers, are offered to jewellery outlets. These fixtures are designed to suit the individual needs of the retailer.

The Rembrandt concept of total marketing also embraces sales promotion projects. In cooperation with the Metropolitan Toronto Police Amateur Athletic Association, the Company participates in the Miss Toronto Beauty Pageant. The Company helps to sponsor this event and presents finalists with charm bracelets as well as cash awards.



## Personnel

Rembrandt employs over 300 skilled, semi-skilled and unskilled workers in all manufacturing locations. Most of the production employees received their training on location. It is also a policy to employ physically-handicapped personnel wherever possible and train them in the trade of jewellery manufacturing.

Administrative and marketing staff total about 50, in addition to the network of dealers across Canada. An in-plant data processing staff ensures outstanding efficiency throughout all office and production operations.

The Company operates in-house design facilities and our staff craftsmen create original models. These artisans sketch the designs, make models and prepare the prototypes for the manufacturing processes.

## Products

**Charms** — Over 4,000 styles of charms are currently manufactured from Rembrandt original designs. These include commemorative, souvenir, sporting and other events. For example, charms have been styled to commemorate such events as the Calgary Centennial, RCMP Centennial, U.S. Bicentennial, birthdays, anniversaries and special occasions. In addition, religious insignia and tourist mementos form a major part of our product line.

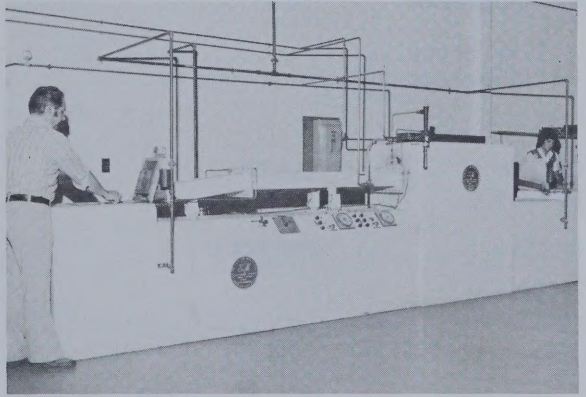
**Chains** — An extensive range of chains are produced for necklets, pendants, bracelets and associated jewellery fabrication. These are made from karat-gold, sterling silver and gold-filled metals.



*Mold-Cutting*



*Coining*



*Automatic Controlled Soldering*



*Model-Making*



*Casting*

*These photographs demonstrate some of the many production operations necessary in manufacturing Rembrandt products.*



JEWELRY LIMITED

## Consolidated Balance Sheet as at June 30, 1975

### Assets

|                                           | <u>1975</u>        | <u>1974</u>        |
|-------------------------------------------|--------------------|--------------------|
| <i>Current</i>                            |                    |                    |
| Accounts receivable.....                  | \$2,398,900        | \$3,279,659        |
| Inventories (note 1b).....                | 4,576,336          | 3,511,718          |
| Prepaid expenses.....                     | 67,428             | 41,905             |
|                                           | <u>7,042,664</u>   | <u>6,833,282</u>   |
| Deferred Receivable .....                 | <u>30,000</u>      | <u>60,000</u>      |
| <i>Fixed</i>                              |                    |                    |
| Land and buildings .....                  | 1,489,622          | 447,124            |
| Equipment and leasehold improvements..... | 1,024,947          | 918,389            |
| Automobiles .....                         | 50,742             | 18,352             |
|                                           | <u>2,565,311</u>   | <u>1,383,865</u>   |
| Total, at cost.....                       | 2,565,311          | 1,383,865          |
| Accumulated depreciation (note 1c).....   | 613,106            | 541,514            |
|                                           | <u>1,952,205</u>   | <u>842,351</u>     |
|                                           | <u>\$9,024,869</u> | <u>\$7,735,633</u> |

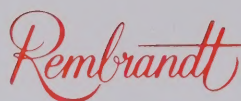
On Behalf of the Board  
Edward Abrams, Director  
Lorne Abrams, Director

The accompanying notes are an in



## Liabilities

|                                                  | <u>1975</u>        | <u>1974</u>        |
|--------------------------------------------------|--------------------|--------------------|
| <i>Current</i>                                   |                    |                    |
| Bank indebtedness (note 3) .....                 | \$ 360,860         | \$1,313,037        |
| Bankers' acceptances (note 3) .....              | 1,600,000          | 1,200,000          |
| Accounts payable and accrued charges .....       | 727,468            | 603,160            |
| Income taxes payable .....                       | 183,246            | 460,939            |
| Current portion of long term debt (note 4) ..... | <u>350,678</u>     | <u>330,996</u>     |
|                                                  | <u>3,222,252</u>   | <u>3,908,132</u>   |
| Long Term Debt (note 4) .....                    | <u>1,813,749</u>   | <u>1,277,490</u>   |
| Deferred Income Taxes (note 1d) .....            | <u>184,002</u>     | <u>130,731</u>     |
| <i>Shareholders' Equity</i>                      |                    |                    |
| Capital Stock (note 5)                           |                    |                    |
| Authorized                                       |                    |                    |
| 2,000,000 Common shares, without par value       |                    |                    |
| Issued                                           |                    |                    |
| 1,006,550 Common shares (1974 — 1,005,400) ..... | 50,262             | 43,650             |
| Retained Earnings .....                          | <u>3,754,604</u>   | <u>2,375,630</u>   |
|                                                  | <u>3,804,866</u>   | <u>2,419,280</u>   |
|                                                  | <u>\$9,024,869</u> | <u>\$7,735,633</u> |



JEWELRY LIMITED

**Consolidated Statement of Earnings**

for the year ended June 30, 1975

|                                                    | 12 months to<br>June 30,<br>1975 | Unaudited<br>(note 2)<br>12 months to<br>June 30,<br>1974 | 6 months to<br>June 30,<br>1974 |
|----------------------------------------------------|----------------------------------|-----------------------------------------------------------|---------------------------------|
| Sales .....                                        | <u>\$10,600,836</u>              | <u>\$10,169,246</u>                                       | <u>\$5,788,411</u>              |
| Expenses                                           |                                  |                                                           |                                 |
| Cost of sales and expenses .....                   | 7,688,513                        | 7,327,267                                                 | 3,891,575                       |
| Depreciation (note 1c) .....                       | 76,231                           | 53,009                                                    | 31,917                          |
| Interest on long term debt (note 4) .....          | 101,734                          | 138,125                                                   | 71,848                          |
| Interest on short term debt .....                  | <u>344,532</u>                   | <u>155,707</u>                                            | <u>84,101</u>                   |
|                                                    | <u>8,211,010</u>                 | <u>7,674,108</u>                                          | <u>4,079,441</u>                |
| Earnings Before Taxes and Extraordinary Item ..... | <u>2,389,826</u>                 | <u>2,495,138</u>                                          | <u>1,708,970</u>                |
| Income taxes .....                                 | <u>1,010,852</u>                 | <u>1,054,423</u>                                          | <u>723,110</u>                  |
| Earnings Before Extraordinary Item .....           | <u>1,378,974</u>                 | <u>1,440,715</u>                                          | <u>985,860</u>                  |
| Extraordinary item .....                           | <u>—</u>                         | <u>155,961</u>                                            | <u>155,961</u>                  |
| Net Earnings for the period .....                  | <u>\$ 1,378,974</u>              | <u>\$ 1,596,676</u>                                       | <u>\$1,141,821</u>              |
| Earnings per Common Share (note 6)                 |                                  |                                                           |                                 |
| Before extraordinary item .....                    | <u>\$1.37</u>                    | <u>\$1.43</u>                                             | <u>\$0.98</u>                   |
| Net for the period .....                           | <u>\$1.37</u>                    | <u>\$1.59</u>                                             | <u>\$1.14</u>                   |

**Consolidated Statement of Retained Earnings**

for the year ended June 30, 1975

|                                                                                       | 12 months to<br>June 30,<br>1975 | Unaudited<br>(note 2)<br>12 months to<br>June 30,<br>1974 | 6 months to<br>June 30,<br>1974 |
|---------------------------------------------------------------------------------------|----------------------------------|-----------------------------------------------------------|---------------------------------|
| Balance, beginning of period .....                                                    | <u>\$2,375,630</u>               | <u>\$1,214,798</u>                                        | <u>\$1,233,809</u>              |
| Net earnings for the period .....                                                     | <u>1,378,974</u>                 | <u>1,596,676</u>                                          | <u>1,141,821</u>                |
|                                                                                       | <u>3,754,604</u>                 | <u>2,811,474</u>                                          | <u>2,375,630</u>                |
| Excess of cost over book value of shares in<br>subsidiary companies written off ..... | —                                | ( 408,625)                                                | —                               |
| Organization expenses written off (net<br>of tax of \$11,141) .....                   | —                                | ( 27,219)                                                 | —                               |
| Balance, end of period .....                                                          | <u>\$3,754,604</u>               | <u>\$2,375,630</u>                                        | <u>\$2,375,630</u>              |

The accompanying notes are an integral part of these financial statements.



# Consolidated Statement of Changes in Financial Position

for the year ended June 30, 1975

|                                                                                   | 12 months to<br>June 30,<br>1975 | Unaudited<br>(note 2)<br>12 months to<br>June 30,<br>1974 | 6 months to<br>June 30,<br>1974 |
|-----------------------------------------------------------------------------------|----------------------------------|-----------------------------------------------------------|---------------------------------|
| <i>Sources of Working Capital</i>                                                 |                                  |                                                           |                                 |
| Operations                                                                        |                                  |                                                           |                                 |
| Net earnings for the period before extraordinary item.                            | \$1,378,974                      | \$1,440,715                                               | \$ 985,860                      |
| Charges to operations not involving working capital                               |                                  |                                                           |                                 |
| Depreciation . . . . .                                                            | 76,231                           | 53,009                                                    | 31,917                          |
| Deferred income taxes . . . . .                                                   | 53,271                           | 106,120                                                   | 51,901                          |
| Working capital provided from operations . . . . .                                | 1,508,476                        | 1,599,844                                                 | 1,069,678                       |
| Increase in long term indebtedness . . . . .                                      | 586,937                          | 1,200,000                                                 | —                               |
| Proceeds from deferred receivable . . . . .                                       | 30,000                           | —                                                         | —                               |
| Proceeds from sale of interest in corporate<br>joint venture . . . . .            | —                                | 175,000                                                   | 175,000                         |
| Repayment of advance on sales of interest in<br>corporate joint venture . . . . . | —                                | 25,000                                                    | 25,000                          |
| Proceeds from sale of capital stock . . . . .                                     | 6,612                            | 43,550                                                    | 43,550                          |
| Working capital acquired on purchase of subsidiaries . .                          | —                                | 662,801                                                   | —                               |
|                                                                                   | <u>2,132,025</u>                 | <u>3,706,195</u>                                          | <u>1,313,228</u>                |
| <i>Uses of Working Capital</i>                                                    |                                  |                                                           |                                 |
| Investment in subsidiaries . . . . .                                              | —                                | 1,090,448                                                 | —                               |
| Expenses on sale of interest in corporate<br>joint venture . . . . .              | —                                | 2,313                                                     | 2,313                           |
| Purchase of fixed assets (net) . . . . .                                          | 1,186,085                        | 323,705                                                   | 46,400                          |
| Repayment of promissory notes . . . . .                                           | 50,678                           | 103,287                                                   | 30,996                          |
| Deferred receivable . . . . .                                                     | —                                | 60,000                                                    | 60,000                          |
| Investment in corporate joint venture . . . . .                                   | —                                | 41,741                                                    | —                               |
|                                                                                   | <u>1,236,763</u>                 | <u>1,621,494</u>                                          | <u>139,709</u>                  |
| Increase in working capital . . . . .                                             | 895,262                          | 2,084,701                                                 | 1,173,519                       |
| Working Capital, beginning of period . . . . .                                    | 2,925,150                        | 840,449                                                   | 1,751,631                       |
| Working Capital, end of period . . . . .                                          | <u>\$3,820,412</u>               | <u>\$2,925,150</u>                                        | <u>\$2,925,150</u>              |
| <i>Components of Increase in Working Capital</i>                                  |                                  |                                                           |                                 |
| <i>Increase (Decrease) In Current Assets</i>                                      |                                  |                                                           |                                 |
| Accounts receivable . . . . .                                                     | (\$ 880,759)                     | \$2,253,287                                               | \$1,656,112                     |
| Due from corporate joint venture . . . . .                                        | —                                | —                                                         | ( 539,713)                      |
| Inventories . . . . .                                                             | 1,064,618                        | 2,520,718                                                 | 1,486,092                       |
| Prepaid expenses . . . . .                                                        | 25,523                           | 38,755                                                    | 3,455                           |
|                                                                                   | <u>209,382</u>                   | <u>4,812,760</u>                                          | <u>2,605,946</u>                |
| <i>Decrease (Increase) in Current Liabilities</i>                                 |                                  |                                                           |                                 |
| Bank indebtedness . . . . .                                                       | 952,177                          | ( 612,887)                                                | ( 262,327)                      |
| Bankers' acceptances . . . . .                                                    | ( 400,000)                       | ( 1,200,000)                                              | ( 1,200,000)                    |
| Accounts payable . . . . .                                                        | ( 124,308)                       | ( 372,118)                                                | 23,521                          |
| Due on purchase of shares of corporate<br>joint venture . . . . .                 | —                                | —                                                         | 41,250                          |
| Income taxes . . . . .                                                            | 277,693                          | ( 248,304)                                                | ( 34,871)                       |
| Current portion of long term debt . . . . .                                       | ( 19,682)                        | ( 300,000)                                                | —                               |
| Due to shareholders . . . . .                                                     | —                                | 5,250                                                     | —                               |
|                                                                                   | <u>685,880</u>                   | <u>( 2,728,059)</u>                                       | <u>( 1,432,427)</u>             |
| <i>Increase in Working Capital</i> . . . . .                                      | <u>\$ 895,262</u>                | <u>\$2,084,701</u>                                        | <u>\$1,173,519</u>              |

The accompanying notes are an integral part of these financial statements.

# Notes to the Consolidated Financial Statements

as at June 30, 1975

## 1. Accounting Policies

### a. Consolidation

These consolidated financial statements include the accounts of the following wholly-owned subsidiaries from their date of acquisition on July 1, 1973:

The Electric Chain Company of Canada Limited  
Ecco Jewellery Sales Limited

All significant intercompany loans and transactions have been eliminated on consolidation.

### b. Inventories

Inventories are valued at the lower of cost (first-in, first-out basis) and net realizable value and consist of:

|                                             | 1975               | 1974               |
|---------------------------------------------|--------------------|--------------------|
| Raw materials and work in process . . . . . | \$2,576,244        | \$1,602,972        |
| Finished goods . . . . .                    | 1,847,693          | 1,799,122          |
| Supplies on hand . . . . .                  | 152,399            | 109,624            |
|                                             | <u>\$4,576,336</u> | <u>\$3,511,718</u> |

### c. Depreciation

The corporation calculates depreciation and amortization to write off the cost of fixed assets over their estimated useful life, as follows:

|                        |                    |
|------------------------|--------------------|
| Buildings              | 2½% Straight line  |
| Equipment              | 10% Straight line  |
| Automobiles            | 30% Residual value |
| Leasehold improvements | 10% Straight line  |

### d. Deferred income taxes

Deferred income taxes arise from claiming, for income tax purposes, capital cost allowances in excess of depreciation recorded in the books and for other timing differences.

## 2. Comparative Figures

The corporation changed its year end from December 30 to June 30, commencing in 1974. The consolidated financial statements for the six months ended June 30, 1974 (audited) are shown in accordance with legal requirements. The consolidated statements of earnings, retained earnings and changes in financial position for the year ended June 30, 1974 (unaudited) are shown for comparative purposes only.

## 3. Bank Indebtedness

The bank indebtedness is secured by the assignment of accounts receivable and inventory and by a demand debenture consisting of a first specific charge on real estate and a floating charge on all other assets.

## 4. Long Term Debt

|                                                                                                                                                                                                               | 1975               | 1974               |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| U.S. Dollar bank loan, due October, 1977, interest at 1½% over the 180 day London inter-bank Euro Dollar offer rate (foreign exchange risk covered by forward exchange contract securing repayment value) . . | \$ 867,255         | \$ —               |
| Bankers' Acceptances, repayable \$300,000 annually (note 3) . . . . .                                                                                                                                         | 1,200,000          | 1,500,000          |
| Promissory notes, 9%, unsecured, repayable in equal semi-annual instalments, due January 2, 1978                                                                                                              |                    |                    |
| — Shareholders . . . . .                                                                                                                                                                                      | 97,172             | 108,486            |
|                                                                                                                                                                                                               | <u>2,164,427</u>   | <u>1,608,486</u>   |
| Due within one year . . . . .                                                                                                                                                                                 | ( 350,678)         | ( 330,996)         |
|                                                                                                                                                                                                               | <u>\$1,813,749</u> | <u>\$1,277,490</u> |



## 5. Capital Stock

### a. Changes in capital stock

| <i>Date</i>       |                                         | <i>Number</i> | <i>Value</i> |
|-------------------|-----------------------------------------|---------------|--------------|
| December 30, 1973 | Common shares outstanding . . . . .     | 1,000,000     | \$ 100       |
| March, 1974       | Employment arrangement . . . . .        | 5,000         | 41,250       |
| June, 1974        | Exercise of stock options . . . . .     | 400           | 2,300        |
| June 30, 1974     | Common shares outstanding . . . . .     | 1,005,400     | 43,650       |
|                   | Exercise of stock options (Note: 5b). . | 1,150         | 6,612        |
| June 30, 1975     | Common shares outstanding . . . . .     | 1,006,550     | \$50,262     |

### b. Stock options

| <i>Option price and date of grant</i> | <i>Balance<br/>June 30, 1974</i> | <i>Exercised</i> | <i>Granted<br/>(Cancelled)</i> | <i>Balance<br/>June 30, 1975</i> |
|---------------------------------------|----------------------------------|------------------|--------------------------------|----------------------------------|
| \$5.75 April 2, 1973                  | 28,000                           | 1,150            | (4,350)                        | 22,500                           |
| \$7.425 July 1, 1973                  | 4,000                            | —                | —                              | 4,000                            |
| \$6.25 May 8, 1974                    | 7,200                            | —                | —                              | 7,200                            |
|                                       | <u>39,200</u>                    | <u>1,150</u>     | <u>(4,350)</u>                 | <u>33,700</u>                    |

## 6. Earnings Per Common Share

Earnings per common share have been calculated on the weighted monthly average of common shares outstanding during the year. The dilution of earnings assuming the exercise of options (note 5) and after imputing average bank loan interest of 11% net of income taxes on the proceeds, would have been approximately three cents per common share in the current year.

## 7. Remuneration of Directors and Senior Officers

The aggregate direct remuneration paid or payable by the company and its subsidiaries to the directors and senior officers of the company during the current year amounted to \$149,000 (1974—six months—\$78,000).

## 8. Commitments

The corporation is committed to a capital expenditure of approximately \$2,300,000 for its new building to be completed in the 1976 year.

## Auditors' Report

To the Shareholders of  
Rembrandt Jewelry Limited

We have examined the consolidated balance sheet of Rembrandt Jewelry Limited and its subsidiaries as at June 30, 1975 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at June 30, 1975, and the results of their operations and changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

WM. EISENBERG & CO.  
Chartered Accountants

Toronto, Canada,  
August 18, 1975.

The accompanying notes are an integral part of these financial statements.





Barbara Berezowski  
Miss Toronto, 1975

The Miss Toronto Beauty Pageant is sponsored by Rembrandt Jewelry Limited in conjunction with the Metropolitan Toronto Police Amateur Athletic Association. Rembrandt presents each finalist with a commemorative charm bracelet in addition to a cash award at this annual event.



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